

11 June 2020



Alliance Aviation Services Limited
ACN 153 361 525 | ABN 96 153 361 525

PO Box 1126, Eagle Farm QLD 4009
T +61 7 3212 1212 | F +61 7 3212 1522
www.allianceairlines.com.au

Alliance Aviation Services Limited (ASX Code: AQZ)

CAPITAL RAISING

TO POSITION ALLIANCE TO TAKE ADVANTAGE OF GROWTH OPPORTUNITIES AND CONTINUE TO MAINTAIN A STRONG BALANCE SHEET

Key Points

- The COVID-19 pandemic has resulted in airlines around the world grounding aircraft and reducing (or in some cases ceasing) operations in response to travel bans and border restrictions.
- Alliance has continued to operate profitably due to its focus on contract flying, a diverse business model and its ability to react quickly to the changing aviation environment. Alliance believes it is now in an enviable position and is looking to invest for future growth.
- Alliance is raising \$91.9 million via a fully underwritten institutional placement and up to an additional \$30.0 million via a non-underwritten share purchase plan¹.
- The capital raising positions Alliance to invest in growth initiatives, which Alliance anticipates to be predominantly in the form of acquisition of additional aircraft, and to further strengthen its already robust balance sheet.

Alliance Aviation Services Limited (**Alliance** or the **Company**) stated in its most recent ASX trading update released on 20 May 2020 that the COVID-19 pandemic has presented the Company with a number of prospective expansion opportunities. To better position Alliance to evaluate and potentially capture these opportunities, it is undertaking an equity capital raising comprising:

- A \$91.9 million fully underwritten institutional placement (**Placement**); and
- A non-underwritten share purchase plan (**SPP**)¹ to raise up to an additional \$30.0 million,

the Placement and SPP together, the **Equity Raising**.

Alliance's Managing Director, Scott McMillan, said "Alliance's recent performance has been outstanding and allows us to be uniquely positioned to look to expand through a number of growth initiatives. Importantly, this capital raising will give us the ability to invest in these initiatives whilst maintaining our strong balance sheet. Maintaining a strong balance sheet has been the focus of the Board for a number of years and is something we will jealously guard."

¹ As the SPP is not underwritten, the SPP may raise more or less than this amount. If the SPP raises more than \$30.0 million, Alliance may decide in its absolute discretion to accept applications (in whole or in part) that result in the SPP raising more than \$30.0 million. If Alliance decides to conduct any scale back of applications, for example because the aggregate amount applied for under the SPP exceeds Alliance's requirements, the scale back will be applied on a pro rata basis to shareholdings of participating eligible shareholders at the record date of the SPP.

Growth Opportunities

The purpose of the Equity Raising is to provide funding to support Alliance's growth strategy, which includes identifying and evaluating the potential expansion opportunities that have arisen as a result of the COVID-19 pandemic. The key opportunities Alliance has identified include the potential to:

- Provide additional services to Alliance's existing customers in response to changes in their air travel requirements due to COVID-19; and
- Continue to provide services to entities that were not existing long-term customers of Alliance prior to COVID-19.

Alliance intends to acquire additional aircraft in order to take advantage of these growth opportunities.

The impact of COVID-19 on the aviation sector both in Australia and globally has been devastating and Alliance expects that these effects will continue to shape the sector for many years to come. The Australian domestic aviation sector is currently undergoing significant change, and Alliance believes this will require existing operators and any potential new sector participants to adapt to a new operating and competitive environment.

Alliance believes it is well-positioned to adapt and respond to the challenges arising from the changes it is observing in both the operational and competitive landscapes and considers that, with careful management, these changes are likely to result in an increase in demand from existing and new customers for flights across Alliance's network.

The capacity, range, aerodrome accessibility and other features of Alliance's aircraft continue to be of importance to Alliance's existing customers, as they provide an optimum combination of features for regional services. Alliance also considers that these features are likely to be valuable to prospective customers, particularly because 100 and 80 seat jet aircraft are the ideal aircraft size for prospective customers wishing to launch new regional services.

A number of Alliance's existing customers have recently requested that Alliance provide additional services in response to the changes in those customers' air travel requirements due to COVID-19. While it is not possible to determine how long these changes will last, Alliance believes they will be prolonged as Australia continues to navigate the pandemic and critical industries reassess their risk profiles. For example, Alliance considers that its customers may seek additional charter services both in the short and longer term.

Alliance has also received a number of requests for services from entities that were not existing long-term customers of Alliance prior to COVID-19. These entities (which are generally new customers that are currently on short term contracts) include resource sector companies, domestic tourism operators, tourism boards and regional councils. Securing these entities as long-term customers is a focus of the Alliance management team and presents an opportunity for Alliance to grow its sector share.

The grounding of airline fleets globally, due to COVID-19, presents significant opportunities for Alliance to expand its fleet. A fleet expansion would assist with satisfying the demand described above and enhancing Alliance's capability to continue to support its customers in the long term in accordance with its business model.

Alliance continues to monitor the market for other potential growth initiatives that may be suitable for Alliance and that it regards as consistent with its growth strategy and business model.

Extension of debt facilities

Alliance successfully extended the term of its debt facilities with its existing lenders on 28 May 2020. The revolving term loan facilities of \$70.2 million and the working capital facility of \$5.0 million (\$4.5 million undrawn) were both extended until January 2022.

Alliance's Managing Director, Scott McMillan, said "We are pleased to announce that Alliance has been able to successfully extend its debt facilities with our banking partners being the Australia and New Zealand Banking Group and the Commonwealth Bank of Australia until January 2022. Completing an extension at this time further cements the strong and long-standing relationship Alliance has with its banking club. We intend to undertake a formal refinancing process in 2021."

Placement

The \$91.9 million Placement is fully underwritten by Ord Minnett Limited (**Lead Manager**) and comprises an offer of new fully paid ordinary shares in Alliance (**New Shares**) to eligible institutional investors at \$2.95 per New Share (**Placement Price**). The Placement Price represents a 5% discount to the last traded price on ASX of \$3.10 on Wednesday, 10 June 2020 (prior to the trading halt in Alliance shares).

It is intended that eligible institutional shareholders who bid for an amount of New Shares less than or equal to their 'pro rata' share²³ of New Shares under the Placement will be allocated their full bid on a best endeavours basis.

The Placement will result in approximately 31.1 million New Shares being issued, representing approximately 24.4% of Alliance's existing issued share capital. The Placement is being undertaken in accordance with ASX's *Class Waiver Decision - Temporary Extra Placement Capacity* dated 23 April 2020. Accordingly, no shareholder approval is required in connection with the Placement.

² For this purpose, an eligible institutional shareholder's 'pro rata' share of New Shares under the Placement will be estimated by reference to Alliance's beneficial register on 3 June 2020, but without undertaking any reconciliation processes and ignoring New Shares that may be issued under the SPP. Unlike in a rights issue, this may not truly reflect the participating shareholder's actual pro rata share of the New Shares under the Placement. Nothing in this announcement gives a shareholder a right or entitlement to participate in the Placement and Alliance has no obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining a shareholder's 'pro rata' share of New Shares under the Placement. Institutional investors who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. Alliance and the Lead Manager disclaim any duty or liability (including for negligence) in respect of the determination of a shareholder's 'pro rata' share of New Shares under the Placement.

³ Eligible institutional shareholders who bid in excess of their 'pro rata' share as determined by Alliance and the Lead Manager are expected to be allocated a minimum of their 'pro rata' share on a best endeavours basis as set out in footnote 2 above, and any excess may be subject to scale back.

Share Purchase Plan

Following completion of the Placement, Alliance will offer existing eligible shareholders the opportunity to participate in a non-underwritten SPP to raise up to \$30 million⁴.

Under the SPP, eligible Alliance shareholders, being shareholders with a registered address in Australia or New Zealand on Alliance's register as at 7.00 pm (Brisbane time) on Wednesday, 10 June 2020, will have the opportunity to apply up to \$30,000 of New Shares without incurring brokerage or other transaction costs.

The issue price of the New Shares under the SPP will be the lower of:

- The Placement Price of \$2.95 per share; and
- A 2.0% discount (rounded to the nearest cent) to the 5-day VWAP of Alliance shares on ASX up to, and including, the closing date of the SPP (expected to be Thursday, 9 July 2020).

The SPP offer period will open on Friday, 19 June 2020 and is expected to close at 5.00pm (Brisbane time) on Thursday, 9 July 2020.

As the SPP is not underwritten, the SPP may raise more or less than this amount. If the SPP raises more than \$30 million, Alliance may decide in its absolute discretion to accept applications (in whole or in part) that result in the SPP raising more than \$30 million. If Alliance decides to conduct any scale back of applications, for example because the aggregate amount applied for under the SPP exceeds Alliance's requirements, the scale back will be applied on a pro rata basis to shareholdings of participating eligible shareholders at the record date of the SPP.

The terms and conditions of the SPP will be set out in the SPP Offer Booklet, which is expected to be released to the ASX and dispatched to eligible shareholders via their preferred method of contact on Friday, 19 June 2020.

New Shares issued under the Placement and SPP will rank equally with existing Alliance ordinary shares from the respective dates of issue.

⁴ As the SPP is not underwritten, the SPP may raise more or less than this amount. If the SPP raises more than \$30.0 million, Alliance may decide in its absolute discretion to accept applications (in whole or in part) that result in the SPP raising more than \$30.0 million. If Alliance decides to conduct any scale back of applications, for example because the aggregate amount applied for under the SPP exceeds Alliance's requirements, the scale back will be applied on a pro rata basis to shareholdings of participating eligible shareholders at the record date of the SPP.

Key Dates⁵

EVENT	DATE
Record date for the SPP	7.00pm (Brisbane time), Wednesday, 10 June 2020
Trading halt and announcement of the Placement and SPP	Thursday, 11 June 2020
Placement bookbuild	Thursday, 11 June 2020
Announcement of outcome of Placement	Friday, 12 June 2020
Trading halt lifted – trading resumes on ASX	Friday, 12 June 2020
Settlement of Placement shares	Wednesday, 17 June 2020
Allotment and normal trading of Placement shares	Thursday, 18 June 2020
SPP offer opens and SPP offer booklet dispatched	Friday, 19 June 2020
SPP offer closes	5.00pm (Brisbane time), Thursday, 9 July 2020
Announcement of results of SPP	Tuesday, 14 July 2020
SPP allotment date	Monday, 20 July 2020
Normal trading of SPP shares	Tuesday, 21 July 2020
Dispatch of holding statements	Wednesday, 22 July 2020

⁵ The above timetable is indicative only and subject to change. The commencement and quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Alliance reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.



Additional Information

Further details of the Placement and SPP are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement.

Alliance has been advised by Catapult Partners as financial adviser and Herbert Smith Freehills as legal adviser.

For more information contact:

Marc Devine
Company Secretary
Alliance Aviation Services Limited
+61 7 3212 1201

This announcement has been authorised by the Board of Alliance Aviation Services Limited.

About Alliance

Alliance is Australia's leading provider of contract, charter and allied aviation services currently employing in excess of 550 full time staff.

The Company provides essential services to mining, energy, tourism and government sectors and holds IATA's IOSA certification and Flight Safety Foundation "BARS Gold" status, the first such carrier in Australia to be so recognised.

Alliance's Air Operators Certificate permits High Capacity Regular Public Transport services throughout Australia and the Pacific.

Alliance currently operates a fleet of 24 Fokker F100, 13 Fokker 70LR jet aircraft and five Fokker 50 turboprops with an additional three aircraft in storage and available for entry into the fleet.

Alliance has world leading operational performance, a key attribute rightly valued by its customers.

The Company has operational bases in Brisbane, Townsville, Cairns, Melbourne, Adelaide, Perth, Darwin and Rockhampton.

Important Notice

FORWARD-LOOKING STATEMENTS

This announcement contains certain “forward-looking statements”. The words “expect”, “anticipate”, “estimate”, “intend”, “believe”, “guidance”, “should”, “could”, “may”, “will”, “predict”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Alliance, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of Alliance’s business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of Alliance, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to Alliance as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Alliance, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

This announcement is not financial product advice and has not taken into account your objectives, financial situation or needs. This announcement has been prepared for release in Australia. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or in any jurisdiction in which such an offer would be illegal. The New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 (the **Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.